

## Message Text

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ACTION EUR-12

INFO OCT-01 AF-06 IO-10 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

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INFO AMEMBASSY PRETORIA

USMISSION USUN NEW YORK

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMCONSUL CAPETOWN

C O N F I D E N T I A L VIENNA 2194

EO 11652: GDS

TAGS: ECON, PGOV, PFOR, AU, SA

SUBJECT: POLITICAL CONSIDERATIONS MAY BLOCK AUSTRIAN  
PARTICIPATION IN SOUTH AFRICA ISCOR PROJECT

FOR EMBASSY CAPETOWN

SUMMARY: CHANCELLOR KREISKY STRONGLY QUESTIONS POLITICAL  
ADVISABILITY OF AUSTRIAN NATIONAL STEEL ENTERPRISE  
PARTICIPATING IN SOUTH AFRICAN ISCOR STEEL WORKS.  
OPPOSITION PARTIES AND BUSINESS COMMUNITY ANGERED OVER  
WHAT THEY CONSIDER UNWARRANTED KREISKY EFFORT TO MILLIFY  
THIRD WORLD AND DEPART FROM BASIC AUSTRIAN FOREIGN POLICY  
PRINCIPLE OF SEPARATING ECONOMIC CONSIDERATIONS FROM THOSE  
OF POLITICAL NATURE. CONTROVERSY ALSO HAS UN ASPECT  
CONCERNING WALDHEIM. SCRAPPING OF PROJECT AT BEHEST OF  
CHANCELLOR MAY HAVE IMPORTANT IMPLICATION FOR AUSTRIA'S  
FOREIGN POLICY OF NEUTRALITY. END SUMMARY.

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1. CHANCELLOR KREISKY, IN COMMENT BEFORE PARLIAMENT

LAST WEEK RAISED SERIOUS DOUBTS ABOUT POLITICAL ADVISABILITY OF AUSTRIA'S NATIONALIZED STEEL COMBINE VOEST-ALPINE MONTAN A.G. ACQUIRING 26 PERCENT PARTICIPATION IN SOUTH AFRICAN ISCOR STEEL WORKS, PROJECT WITH ESTIMATED TOTAL VALUE OVER 700 MILLION US DOLLARS. APPARENT SOURCE OF KREISKY CONCERN IS 1974 UN RESOLUTION CONDEMNING SOUTH AFRICAN APARTHEID POLICY AS WELL AS POSSIBILITY OF SOME AFRICAN STATES BOYCOTTING VOEST PRODUCTS IF AUSTRIA GOES FORWARD WITH PROJECT. FINAL DECISION BY SUPERVISORY BOARD OF STATE HOLDING COMPANY, WHICH ADMINISTERS NATIONALIZED ENTERPRISES INCLUDING VOEST, IS STILL PENDING.

2. VOEST-ALPINE OFFICIALS, WHO ARE STILL INTERESTED IN SOUTH AFRICAN PROJECT, STRESS THAT IN CONTRAST TO RHODESIA, UN AUTHORITIES HAVE ISSUED ONLY NUMBER OF RECOMMENDATIONS WHICH DO NOT HAVE BINDING CHARACTER. FOR THIS REASON, REPRESENTATIVES OF AUSTRIAN STEEL COMBINE SEE NO NEED TO WITHDRAW FROM PROJECT, PARTICIPATION IN WHICH WOULD INCLUDE WEST GERMAN, DUTCH AND ITALIAN FIRMS.

3. ASSURANCE OF ADEQUATE SUPPLY OF SEMI-FINISHED PRODUCTS, I.E. BLOOMS AND BILLETS, FOR FURTHER PROCESSING IN AUSTRIA IS MAJOR REASON FOR AUSTRIAN STEEL COMBINE'S INTEREST IN JOINT VENTURE WITH SOUTH AFRICAN STEEL WORKS. PROJECTED IMPORTATION OF ANNUAL QUANTITY OF ABOUT 2.5 MILLION METRIC TONS OF SEMI-FINISHED PRODUCTS FROM SOUTH AFRICA WOULD SIGNIFICANTLY REDUCE COUNTRY'S DEPENDENCE ON IRON ORE SUPPLIERS.

4. OPPOSITION PARTIES AND AUSTRIAN BUSINESS COMMUNITY HAVE DECRIED SUGGESTED TURNDOWN BY KREISKY AS "INCOMPREHENSIBLE", AND DEPARTURE FROM BASIC TENETS OF AUSTRIAN FOREIGN POLICY OF NEUTRALITY. SCHLEINZER, LEADER OF MAJOR OPPOSITION PARTY, STATED IN PRESS INTERVIEW MARCH 7 THAT KREISKY WAS FALSELY CLAIMING UN RESOLUTION (ON WHICH AUSTRIA ABSTAINED) CALLING FOR ECONOMIC BOYCOTT AGAINST SOUTH AFRICA WAS BINDING DECISION, NOT SIMPLY RECOMMENDATION TO INDIVIDUAL GOVERNMENTS. ALSO NOTED BY OPPOSITION WAS FACT GOA HAS NO SIMILAR QUALMS ABOUT CONCLUDING INDUSTRIAL PROJECTS WITH COMMUNIST COUNTRIES WHOSE DOMESTIC POLICIES

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ARE EVEN LESS DEMOCRATIC THAN THOSE OF SOUTH AFRICA.

5. KREISKY HAS SOUGHT PUBLICLY TO DEFEND SOCIALIST POSITION BY SUGGESTING GOA'S PROPOSED DECISION BASED IN GOOD PART ON "SERIOUS CONCERN" EXPRESSED TO GOA BY FORMER OPPOSITION PARTY FOREIGN MINISTER AND CURRENT UN SEC GEN WALDHEIM. CITED WAS JULY 1974 LETTER FROM AUSTRIAN UN PERREP JANKOWITCH TO KREISKY CONVEYING WALDHEIM'S "GRAVE CONCERN"

THAT PROJECTED UNDERTAKING IN SOUTH AFRICA WOULD "SERIOUSLY AGGRAVATE" AUSTRIA'S RELATIONS WITH AFRICAN STATES.

6. COMMENT: A KREISKY PROMOTED DECISION TO FORCE SCRAPPING OF PROJECT, AT TIME OF ECONOMIC UNCERTAINTIES, SOME UNEMPLOYMENT AND PUBLIC DISENCHANTMENT WITH POLITICS OF THIRD WORLD, WILL BE SEIZED UPON BY OPPOSITION AS INDICATION OF FURTHER AUSTRIAN TILT TOWARD THIRD WORLD AND TO "OPPORTUNISM" IN ITS FOREIGN POLICY. PRESS

SPECULATION ON CONTROVERSY SUGGESTS THAT WALDHEIM'S ENTREATY TO KREISKY AND KREISKY'S SUDDEN MORAL CHAMPIONING OF ECONOMIC BOYCOTT AGAINST SOUTH AFRICA PROMPTED BY ARITHMETIC OF VOTING POWER OF THIRD WORLD IN RELATION TO WALDHEIM'S PERSONAL AMBITION FOR EVENTUAL REELECTION AND TO KREISKY'S THIRD UN CITY PROJECT FOR VIENNA. GOA DECISION AGAINST PROJECT WOULD PRESENT CALCULATED RISK, WITH ALL FUTURE DANGERS FOR SMALL NEUTRAL, OF DEPARTING FROM PRIOR PRACTICE OF ALLOWING TRADE AND DEVELOPMENT PROJECTS IN COUNTRIES WITH WHICH FULL DIPLOMATIC RELATIONS MAINTAINED, TO BE DETERMINED SOLELY OR PRINCIPALLY BY ECONOMIC CONSIDERATIONS. MOWINCKEL

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